

KENTUCKY DEPARTMENT OF EDUCATION

STAFF NOTE

Review Item:

Aligning Funding Policy to Facilitate Secondary School Reform

Applicable Statute(s) or Regulation(s):

KRS 157:360, Base Funding Level

History/Background:

In June, 2005, the Kentucky Board of Education (KBE) reviewed a work plan and timeline for Refocusing Secondary Education that included a discussion in August of changes to the current funding formula in ways that would reduce the administrative and financial burden associated with flexible programming. The Board indicated that the work plan as presented was acceptable and should be pursued. Two options for changing the current basis for funding were identified in the work plan: 1) to fund SEEK and average daily attendance (ADA) - based grants on membership at a given point or points in time; or, 2) to fund SEEK and ADA-based grants on number of successful completers. These, as well as other options and a discussion of the desired elements of a funding formula, are being presented at the August KBE meeting.

Today, school funding is calculated based on seat-time. District and school administrators frequently cite that fact as a major barrier to moving schools away from the Carnegie unit. One of the goals of the Refocusing Secondary agenda is to help schools move to a more individualized system of education where student's progress based on individual performance rather than being moved through the same curriculum in fixed groups.

The Kentucky Board of Education has approved a policy that allows districts to implement performance-based credit systems and these policies do provide an alternative to seat-time requirements. However, those policies are still considered the exception. Current policy requires districts to notify the department that they have adopted a performance-based plan and to submit policies. The Department's review is an acknowledgement and verification that the policies exist. It is not an approval. The common perception is that a move towards performance-based credit for more than a small number of students leaves the district at risk of losing funds.

Existing Policy. Daily attendance, or seat-time, is the basis for school funding in Kentucky. KRS 157:360 stipulates that, in determining the cost of the program to support education excellence in Kentucky, the statewide guaranteed base funding level will be computed by dividing the amount appropriated by the prior year's statewide average daily attendance. KRS 157:320 defines "average daily attendance" as the aggregate days attended by pupils in a public school, adjusted for weather-related low attendance days if applicable, divided by the actual number of days school is in session, after the five days with the lowest attendance have

been deducted. KRS 158.060 defines the school day and month and make-up of school days missed. KRS 158.070 defines the school term. KRS 158.240 and 159.035 define attendance credit for moral instruction and 4-H activities. KRS 161.200 requires attendance records to be kept by teachers. 702 KAR 7:125 establishes a uniform method of recording pupil attendance, stating that daily attendance of pupils in middle and high school shall be determined by taking attendance by class period and maintaining an entry and exit log at each school. The regulation also states that pupils shall be physically present to be counted in attendance except under the following conditions:

- The pupil is participating in a co-curricular instructional activity that is authorized by the local board and is a part of the instructional program;
- The pupil is participating in moral instruction or 4-H activities;
- The pupil is participating in an off-site virtual high school class;
- The pupil's mental or physical condition makes attendance in a school setting inadvisable;
- The pupil is court-ordered to receive educational services in a setting other than the classroom; or,
- The student has an IEP that requires less than full-time instructional services.

Impact of Existing Policy on Desired Changes in Secondary Schools: In June 2004, the Kentucky Board of Education adopted the Conceptual Framework for Refocusing Secondary Education. The Framework and subsequent Board discussions about secondary emphasize the need for every student to be supported to and through the attainment of a high school diploma so that he/she exits secondary prepared to be successful in a next level of learning in college, work or the military. This new and unprecedented goal of achieving 100% graduation rate has emerged along with policy discussions that would result in raising expectations for all students. Thus, the Board is also considering revision of the *Program of Studies* and high school graduation requirements, introducing new measures of student accountability through end-of-course assessments, and strengthening the accountability system to focus on outcomes rather than processes. Kentucky's districts and schools are working very hard to meet the challenge of substantially increasing graduation rates at the same time that they are holding students accountable and being held accountable themselves for higher levels of performance.

To meet this challenge, districts and schools are adopting a wide range of strategies to build their capacity to meet the diverse needs of students. They are attempting to set aside structure as a first concern and focus on the kinds of instructional programs and services that should be available. In these redesigned schools, instruction is driving the structure of the school rather than structure driving instruction. Most schools are placing intensive focus on increased support to students through two critical transition points: middle to high school; and, high school to college or work. Student placement and participation are based on timely diagnosis, intervention and continuous assessment, not student selection from a general menu of options. According to the Bill and Melinda Gates Foundation¹ research on change in high schools, there are three critical elements that districts must include in any promising redesign effort:

- A portfolio of options for learning
- Strong instructional leadership
- Fairer and more effective financial and human resource utilization.

Examples of the programs and services that districts are pursuing include:

- Alternative programs that allow students to participate through a variety of non-traditional scheduling options, including options in which the student's schedule may vary from week to week;
- Interdisciplinary courses that teach core content through the context of a career pathway or elective, where learning may be taking place in more than one location and on a varying schedule;
- Programs that mingle teachers and students from different schools, or that share a teacher across schools;
- Virtual learning options for credit generation, credit recovery, Advanced Placement or other higher level coursework, including the Kentucky Virtual High School;
- Capstone senior projects and other learning connections to communities of academics or practice beyond the school walls;
- Dual credit and other programs that take place some or all of the time on college campuses or in alternative settings and often on alternate calendars;
- Early and middle college programs that support at-risk or struggling students to persist to a diploma and a two-year associates degree within 5 years;
- A variety of performance-based options and incentives that allow students to earn credits in non-traditional ways, including those that allow students more or less time according to their individual needs;
- Early graduation for students who are ready to transition to college or work before their scheduled date of graduation;
- Extended time to graduation for students who require more than the traditional four years to complete a successful transition.

Most of these models do not lend themselves to a uniform Carnegie-unit based structure. They require a great deal of deliberate variability in time and place to be successful. Because the current funding formula is based on a uniform approach to taking attendance based on seat-time in specified class periods, districts and schools are hesitant to pursue these more flexible options on a wide scale because they could lose funds. In cases where a waiver may be obtained or a new program can be accommodated through assignment of special attendance codes, the administrative burden and risk associated with by exception record-keeping and the fear that the district may still find itself out of compliance with regulation can stifle a new initiative.

The Department is proposing that the Kentucky Board of Education consider options for funding secondary schools that are more conducive to meeting the needs of all students in ways that lead to higher performance and increased graduation rates. The objective is to establish a basis for calculation that enables districts to plan for the individual needs of all students, including equitable access to expanded learning options that take place outside the school building and on alternate schedules. While the current formula provides add-ons in several areas, expanded learning options are not addressed and they may carry additional costs. Ideally, a school would be funded to meet the requirements for each student as identified in the individual graduation plan.

Dual credit and online learning are examples of expanded learning opportunities that may carry costs beyond those for which funds are made available in the existing formula:

- A district is able to file a plan for performance-based credit with the Kentucky Department of Education (KDE) that protects the ADA up to 100% when a student leaves the high school to take a dual credit course at a college campus. However, if the student is taking the dual credit class in addition to a typical schedule or outside the traditional school calendar (i.e., summer), no additional ADA can be generated. Also, most schools report that they are not able to share in the cost of the dual credit class, which means that the student bears the burden of the tuition. This creates a substantial inequity in the system and is an issue that must be addressed in cooperation with the postsecondary system.
- Similarly, programs like the Kentucky Virtual High School that are fee-based are not routinely accessible to students because they carry costs that districts find difficult to support within the current funding formula. Much like dual credit, online learning provides a variety of options that meet the needs of individual students and not always large blocks of students. Unless the online class is being substituted for a class taught in the traditional manner, because a teacher cannot be found or suddenly becomes unavailable, the district continues to bear the cost of offering the traditional course as well as the expanded learning opportunity. Therefore, the virtual learning opportunity becomes a cost above and beyond the ADA funding.

As solutions to these problems are constructed, district and school responsibility for monitoring attendance must be retained. Therefore, a wholesale move away from ADA to average daily membership (ADM) is not being recommended. Rather, the Board is being asked to consider several options that would introduce new elements to the existing system and facilitate appropriately designed movement away from the Carnegie-unit. These options include the possibility that schools could qualify for an ADM-based model, or secure other kinds of increased flexibility, if they meet and sustain certain performance criteria and/or meet or exceed an average attendance percentage set by the Board. The fiscal impact of options under consideration will be identified. The Department believes that change is necessary, that there are three or four areas in which the best opportunities lie, and that the time to make these changes is now.

As refinements are considered, it is important to remember that there are factors in the accountability system providing additional safeguards to ensure that students are in attendance and participating in instructional programs. Implementation of the unique student identifier and the ability to track students through instructional services over time will help the department evaluate the effectiveness of more flexible and diverse programming. Recent revisions to the core content for assessment and the implementation of related end-of-course assessments will provide safeguards to ensure the quality of instruction and to gauge the effectiveness of curricula, regardless of the delivery mechanism, the place or the time.

On July 20th, the Department will convene a group of leaders from the Alliance districts to discuss this topic. Should that conversation result in important new insights or more fully developed options for Board consideration in August, an update to the staff note will be forthcoming.

Policy Issues/ Questions:

- 1) Does the Kentucky Board of Education wish to consider options that would establish an alternate basis and/or additional criteria to calculate funding for secondary schools?
- 2) Should criteria be established that would qualify a school to move to an ADM-based calculation for the purposes of calculating SEEK and awarding grants if that school meets and sustains a certain level of performance on CATS or exceeds a high level of attendance? Is the Board interested in a pilot of such a model for Alliance schools that are attempting to move to a school-wide performance-based system?
- 3) Should the pupil attendance regulation be amended to redefine attendance from “physical presence” in favor of a definition that focuses on participation in instruction and is less time and place dependent?
- 4) Does the Kentucky Board of Education wish to fund expanded learning opportunities through an add-on to school funding, or by funding qualified programs at the state-level? If so, should the individual graduation plan be the mechanism through which schools identify and calculate their needs for assistance?
- 5) Does the Kentucky Board of Education wish to engage the Council on Postsecondary Education in the development of a comprehensive policy that addresses funding for dual credit as a shared responsibility of the K-12 and postsecondary systems?

Impact on Getting to Proficiency

A high school diploma is essential. The Kentucky Board of Education has challenged schools to reach 100% graduation rate by 2014. Research tells us that to increase graduation rates at the same time that expectations for all students are being raised, districts and schools need to offer a portfolio of learning options. The current basis of funding is functioning as a barrier to implementation of expanded learning options in many districts. Adoption of a basis of funding that is more conducive to flexible programming will help districts and schools meet the challenge of bringing all students to proficiency.

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Commissioner of Education**Date:**

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ⁱ Dave Ferraro, Gates Foundation, 2005 Model Schools Conference, Nashville, TN. 26 June 2005.